

Message Text

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SUBJECT: SRI LANKA FOOD GRAIN SITUATION AND OUTLOOK, AUGUST 1976.

REF (A) COLOMBO 2442; (B) COLOMBO 2246

1. SUMMARY: DESPITE MONSOON-TYPE RAINS IN THE THE LATTER PART OF AUGUST, THE GSL STILL ESTIMATES VALAY PADDY HARVEST AT A VERY POOR 8-9 MILLION BUSHELS.THE JULY REDUCTION IN FLOUR AND BREAD PRICES HAS INCREASED CONSUMPTION, AND IMPORTS DURING 1976 MAY BE GREATER THAN EXPECTED. GSL IS NOW REVISING ITS ESTIMATED FLOUR IMPORT NEEDS,AND EMBOFF HAS A TENTATIVE APPOINTMENT TO MEET WITH GSL OFFICIALS NEXT WEEK TO DISCUSS SRI LANKA'S PL480 TITLE I REQUIREMENTS FOR FY 1977.END SUMMARY.

2. RICE: THE RICE SITUATION AS DESCRIBED IN REFTL B IS LITTLE CHANGED AS OF THE END OF AUGUST. HARVESTING HAS JUST BEGUN ON WHAT REMAINS OF THE DROUGHT STRICKEN YALA CROP,AND THE FOOD COMMISSIONER (FC) STILL
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ESTIMATES A PADDY HARVEST OF 8-9 MILLION BUSHELS.

3. FIGURES RELEASED BY THE DEPARTMENT OF METEOROLOGY SHOW THAT RAINFALL IN THE FIRST SIX MONTHS OF THIS YEAR WAS THE LOWEST IN 66 YEARS. THE COLOMBO AREA, FOR EXAMPLE, RECEIVED ONLY ABOUT HALF THE NORMAL RAINFALL. DEFICIENCIES IN THE DRY ZONE WERE EVEN GREATER. PRELIMINARY DATA FOR JULY SHOW A MIXED PATTERN OF RAIN, BUT ON THE AVERAGE JULY WAS BELOW NORMAL. WHILE THE DEPARTMENT OF METEOROLOGY IS STILL COLLECTING DATA FOR AUGUST, THE LARGE HOT AIR MASS WHICH ACCOMPANIED THE NON-ALIGNED SUMMIT CONFERENCE (NAC) SEEMS TO HAVE STIMULATED MONSOON-TYPE RAINS IN THE COLOMBO AREA IN LATTER PART OF AUGUST. THE CITY'S RESERVOIRS HAVE BEGUN TO FILL BUT ARE STILL FAR BELOW NORMAL LEVELS. THE AUGUST RAINS, HOWEVER, ARE TOO LATE TO HELP THE YALA CROP, AND REPORTS FROM DRY ZONE AREAS INDICATE THAT VERY LITTLE RAIN HAS FALLEN THERE.

4. THE LARGER MAHA CROP, WHICH GOES INTO THE GROUND IN SEPTEMBER-OCTOBER, WILL BE GREATLY DEPENDENT ON NORTHEAST MONSOON. WITH IRRIGATION RESERVOIRS ALMOST BONE DRY, ANY DEFICIENCIES IN THE NORTHEAST MONSOON WILL SHARPLY REDUCE THE MAHA HARVEST.

5. FLOUR: THE APPROXIMATELY 20 PERCENT REDUCTION IN BREAD AND FLOUR PRICES INSTITUTED ON JULY 8 (REFTEL A) HAS APPARENTLY STIMULATED A 25 PERCENT INCREASE IN CONSUMPTION. ALTHOUGH SPECIAL EFFORTS BY THE GSL TO ASSURE A PLENTIFUL SUPPLY OF FOOD PRIOR TO AND DURING THE NAC MAKES JULY-AUGUST A POOR PERIOD ON WHICH TO BASE A PROJECTION, THE FC BELIEVES MONTHLY CONSUMPTION OF FLOUR HAS JUMPED FROM 37,000 METRIC TONS TO AROUND 45,000 TO 46,000 MT. IF THIS IS SO, THE REFTEL B FIGURE OF 444,000 MT FOR TOTAL DISTRIBUTION (I.E. TOTAL CONSUMPTION) DURING 1976 SHOULD BE REVISED UPWARD TO AROUND 490,000 MT. ALTHOUGH A PORTION OF THIS ROUGHLY 46,000 MT INCREASE CAN BE COVERED BY REDUCING ENDING STOCKS FROM THE PROJECTED R

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91,000 MT, THE FC EXPECTS THAT MOST OF IT WILL HAVE TO BE SUPPLIED BY INCREASED IMPORTS (WHICH ARE PROJECTED AT 358,000 MT FOR 1976 IN REFTEL B).

6. THE FC IS PRESENTLY CONSULTING WITH THE EXTERNAL RESOURCES DIVISION TO REVISE SRI LANKA'S IMPORT NEEDS FOR 1976 AND TO MAKE PROJECTIONS FOR 1977. EMBOFF HAS TENTATIVE APPOINTMENT TO MEET WITH FC AND EXTERNAL

RESOURCES OFFICIALS DURING THE LATTER PART OF NEXT WEEK
TO DISCUSS THE GSL'S PL 480 TITLE I REQUIREMENTS FOR
FY 1977.

7. COMMENT: THE FC'S 358,000 MT ESTIMATE OF 1976
FLOUR IMPORTS WAS PROBABLY OPTIMISTIC EVEN
BEFORE THE DROP IN BREAD AND FLOUR PRICES AND
THE RISE IN THE FREE MARKET PRICE OF RICE (REFTL A).
IN 1974 AND 1975, TOTAL FLOUR IMPORTS AVERAGED
OVER 430,000 MT PER YEAR WITH COMMERCIAL IMPORTS
PROVIDING OVER HALF THE TOTAL. THE FC'S COMMERCIAL
IMPORT PROJECTION FOR 1976 OF 177,000 T WAS IN
KEEPING WITH SRI LANKA'S HARD PRESSED FOREIGN
EXCHANGE POSITION BUT WAS HARDLY REALISTIC IN TERMS
OF THE COUNTRY'S FOOD NEEDS. HOWEVER, WITH AN EXPECTED
FOREIGN EXCHANGE GAP OF ABOUT \$80 MILLION THIS YEAR,
THE GSL CAN HARDLY AFFORD TO MEET ITS INCREASED FLOUR
IMPORT REQUIREMENTS FROM COMMERCIAL MARKETS. THE
GSL WILL UNDOUBTEDLY LOOK TO THE US AND OTHER
CONCESSIONAL SUPPLIERS AND MAY WELL ASK FOR
MORE THAN THE 100,000 MT OF WHEAT FLOUR PROVIDED UNDER
THE FY 1976 PL480 TITLE I PROGRAM.
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